

DELAWARE INFRASTRUCTURE INVESTMENT COMMITTEE

May 16, 2013

PUBLIC MEETING 10

THOSE PRESENT:

Director Alan Levin, Chairman
Representative Helene M. Keeley
Mr. Michael Ratchford
Senator Robert Venables
Representative Quinton Johnson

ALSO PRESENT: **Projects:** **Sussex Entertainment Enterprises** – Mr. Jonathan Silver, Mr. Ronald Schafer, Mr. Robert Stickles, Mr. Garth Jones and Tom McGonagall, Esquire; **The Pilot School** – Mr. Marcus Henry, Policy Director Overseeing Economic Development for New Castle County; Ms. Kathy Craven, Mr. Jerry Heisler and Mr. Andrew Hayes; **Delaware Technical & Community College Georgetown** – Ms. Bobbi Barends, Dr. Ileana Smith, Ms. Jenny McNeshy and Mr. John Sarro; **The Diamond State Port Corporation** – Mr. Randall Horne and Mr. Gene Bailey; Mr. Andrew Dinsmore, Senator Coon’s Office; Ms. Courtney Stewart, Controller General’s Office; Mr. Adam Damin, OMB; Ms. Melinda McGuigan, EDIS; Mr. Victor Clark, Office of the Governor, Cindy Collins, DAG, and Mrs. Bernice Whaley

LOCATION: Delaware Economic Development Office, 99 Kings Highway, Dover, Delaware 19901

TIME: 11:00 A.M.

CALL TO ORDER

The meeting was called to order at 11:00 A.M. by Director Levin, Chairperson, on Thursday, May 16, 2013.

OLD BUSINESS:

Senator Venables made a motion that the minutes of the April 25, 2013 Infrastructure Investment Committee (the “Committee”) meeting be approved with the following corrections: 1) the approval amount for Kutz Home be changed from \$32,000 to \$32,800 and 2) correct the spelling of the last name for Ms. Carol Houck, City Manager, City of Dover. Mr. Ratchford seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Sussex Entertainment Enterprises (“Sussex Entertainment Enterprises” or the “Applicant”) (College park Project); Public Sponsor is the Town of Georgetown: The Applicant is requesting up to \$3,951,000.00 in funds which will be used for infrastructure needs for the College Park Project (the “Project”). At the April 25, 2013 Committee meeting, the Applicant requested up to \$3,951,000.00 in funds which will be used for infrastructure needs for the College Park Project (the “Project”). At that meeting the Committee decided to defer action until information could be received showing a specific breakdown of the costs for the funds being requested. Also recommended DelDOT review of intersections

Chairman Levin stated that this Project was discussed at the last meeting and the question remained as to what was and what was not necessary for the development of this property. He added that it is understood that the Project is going through different phases of development with tenants such as Beebe Hospital and Redners Market. He also stated that the main concerns of the Project are the two intersections at Route 404 and Route 113, the pump station and the water-sewer upgrades.

As Secretary Bhatt was not present, Chairman Levin distributed an email copy that he had received regarding DelDOT’s review of the intersections which was prepared by Mark Cote and also contained Secretary Bhatt’s recommendation.

Chairman Levin stated that he recently viewed the area and was surprised to see that the site was substantially under construction and that the Beebe facility was up and under roof. He added that he believed the Rt. 404 intersection was roughed in with curb cuts but the Applicant stated the curb cuts had not been done as of yet. The Applicant stated that Beebe Hospital has already signed a lease and is anxious to open.

Chairman Levin explained that DelDOT viewed what was necessary for the success of the venture and the benefit to the public. He stated that the request was for \$1,846,577 and that DelDOT felt the public benefit range is between \$721,000 and \$1,246,000, with the recommendation that the developer be responsible for the difference. It was stated that this is similar to the situation in Camden with the Redners Market project where the Committee did not fund 100% of the project as there was benefit to the property owner as well. It was stated that Secretary Bhatt’s recommendation is for \$800,000 in infrastructure funds. Chairman Levin advised that this is not binding and he opened the floor for comment.

Mr. Stickels stated that they have had several conversations with Mr. Cote and that they agree a fair assessment is \$1,246,000. He explained that the Walgreens’ entrance is failing because it is not wide enough for trucks to enter. Photos were passed around which showed the addition of stones onto the grass in an attempt to “widen” the entrance and damaged/leaning sign posts. It was also stated that Police reports indicate that there have been at least nine accidents in that area in a six month period. The Applicant stated that the funding request with DelDOT was lowered at its request. It was stated that the

Applicants feel comfortable doing the other improvements included in the project for which DelDOT said it was not responsible for, including the bus stop for DelTech's students. The Applicant stated that educational agreements with the college and the Beebe training facility will bring in more students.

Chairman Levin asked if the Applicant could explain the \$500,000 difference in DelDOT's recommended public benefit of \$721,000 - \$1,246,000. Mr. Stickels stated that \$400,000 is for Biden Avenue which benefits the medical center. He added that this would alleviate some of the traffic and give DelTech another main entrance.

Mr. McGonagall explained that this is not an exact science but feels the difference may be based on the Beebe facility already being in place. He also stressed that this is a separate funding and not related to this request. Beebe is anxious to get into the facility. It was stated that the Applicants are counting on this funding, but that they did not want to miss the construction season and therefore, decided to move forward on the development before the funding was secured. Mr. McGonagall stated that they have studied other projects that have received funding from the Infrastructure Investment Committee such as Wesley College, Bloom, etc., and supported the idea that if a tenant was in place, the work will happen eventually. The Applicant feels that DelDOT may have seen the Beebe facility and considered it as work already in progress; however it is separately funded.

Chairman Levin stated he understood Mr. McGonagall's statement, but the Committee's guidelines state that if the work is already mandated or will happen anyway as part of development, the request would not be funded.

Mr. Ratchford asked to confirm Secretary Bhatt's recommendation as a fair amount.

Chairman Levin stated that DelDOT felt that was a fair amount as Secretary Bhatt suggested splitting the difference on the recommended public benefit range, funding of \$800,000. He also reminded everyone that Secretary Bhatt was not at the meeting to justify or explain his rationale, but the Committee did want to put on record what Secretary Bhatt had stated in the email.

The Applicant stated that the difference in funding is the difference between minimum standards and a quality project. He stated that he feels that they can do a quality project with the Committee's approval of funds. He added that they understand that developing is a long process and that they hope to get through it sooner and apologize for entering this request so late. He added that he is aware that they have had to delay the Redners Market project by six weeks because the funding was not in place. He stated that he believes that they have provided an honest explanation of the public benefit and are not trying to misguide the Committee in any way. He also added that the Applicant agrees that there is a benefit on the private side, but feels the creation of jobs and additional payroll taxes can justify funding on the higher side of the request.

Representative Keeley voiced her concern that this development is moving forward yet Redners Market had to wait six weeks because the Applicant was waiting for State funding. Chairman Levin explained that a similar situation occurred with Redners in Camden because of the decision to add a controlled intersection. He added that he believes there are certain things that Redners want and it will make a decision to come or not to come here based on what it can get.

Senator Venables stated that he feels this Project is needed in Sussex County and is of great value to the public. He feels that the project is priced sufficiently lower than others, that the costs are well-outlined and that the Committee should not scrutinize so much.

Chairman Levin explained that it is not a question of cost, but how much is a public benefit and how much is a benefit to the shopping center. The Committee is trying to asses a fair value to the public and non-public development. Mr. Stickels stated that he is comfortable that \$1,246,000 is a fair and accurate assessment. It was noted that Secretary Bhatt has suggested that \$800,000 is fair. It was stated that maybe the pump station and water/sewer improvements should be discussed before taking a vote.

Senator Venables suggested making a vote on this portion of the project first.

Motion Made By: Senator Venables
Motion Seconded By:
Motion Failed for Lack of a Second.

Motion: To approve Applicant's request for \$1,246,417 in funds to be used for infrastructure needs for the College Park Project; specifically for two intersections and for the lengthening of Biden Avenue.

Representative Keeley immediately motioned to approve \$1,000,000 in Infrastructure Improvement Funds for the project.

Motion Made By: Representative Keeley
Motion Seconded By: Mr. Ratchford
Motion Passes 4 to 0 All in Favor

Motion: To approve Applicant's request for \$1,000,000 in funds to be used for infrastructure needs for the College Park Project; specifically for two intersections and the lengthening of Biden Avenue.

Mr. Ratchford stated that his decision was guided by the recommendations of DelDOT and the Committee, as producing these numbers is not an exact science.

Representative Keeley also stated that she suggested a number between the DelDOT recommendation and the amount requested.

The Applicant asked if it was bound to perform all improvements mentioned in the original \$1,846,577 request. Chairman Levin confirmed that the Applicant is bound to perform all work and improvements mentioned in its application under the requested amount.

The Committee then discussed the second portion of this Project. Chairman Levin explained that the second part of this Project is the pump station and sewer system. The Applicant is requesting to not only use what is there but to also expand the facility. The Applicant stated that the upgrades and expansion will create an additional 634 EDU total capacity to the City of Georgetown.

The Applicant explained that the current pump station is old and was built when the original shops were developed. The typical lifecycle of a station is 15-20 years, which limits future growth when a new business ties in. It was stated that the funding request is \$1,967,000 to upgrade and expand the pump station facility. It was stated that improvements will produce additional EDU's that will be available to Georgetown. The one-half acre of land belongs to the Town of Georgetown so there are no taxes. All benefits will be to the public and to the Town.

Mr. Stickles Bob stated that the improved pump station will also introduce a new 360 degree water system that will provide continued water movement and pressure. The system accomplishes three things: eliminates stagnation for improved water quality, increases water pressure for firefighting, and eliminates outages if there is a break in line.

Chairman Levin asked if the 360 degree water system is common or if it will be unique to Georgetown. Mr. Stickels stated that it is now mandatory by Public Health for any upgrades.

Chairman Levin inquired if the Applicant would have had to perform this work regardless? Mr. Stickels explained that they can tap into another water system forgoing the pump station and any improvements.

The Committee agreed that the project would improve the development site and the entire area, benefiting not only the Applicant but also the Town and its residents. However, the Committee also agreed that the businesses including Walgreens and others and the Town should contribute to the improvements. Representative Keeley understands upgrading the system, but feels other businesses on the site are getting a free ride by not contributing. Chairman Levin added that as the first businesses established there, they are considered pioneers and yes, they are getting a free ride.

Mr. Stickels asked the Committee not to lose sight of the amount of construction and temporary workers that will put this Project in motion. He also stated that it is the Committee's obligation to create jobs and requested approval of the Project.

The Committee raised concerns that this seemed like a sweetheart deal; asked to foot the bill for upgrades to an entire system when the businesses affected were not asked to contribute.

Representative Keeley asked again for the 3 "pros" of the Water 360 system. Mr. Stickels explained that the system will eliminate stagnation and improve water quality, increase water pressure for firefighting and eliminate outages if there is a break in line.

Motion Made By: Chairman Levin
Motion Seconded By: Mr. Ratchford
Motion Passes 4 to 0 All in Favor

Motion: To approve \$1,753,000 in funds to be used for infrastructure needs for the College Park Project; specifically the pump station and water/sewer improvements.

The Pilot School. ("The Pilot School" or the "Applicant") (Woodlawn Road Improvement Project); Public sponsor is New Castle County: The Applicant is requesting up to \$965,000 in funds which will be used for infrastructure needs for the Woodlawn Road Improvement Project (the "Project").

Director Levin recused himself from action on this Project as he stated that he serves as honorary chair of Capital Campaign for The Pilot School.

Mr. Henry presented an application on behalf of the Pilot School, requesting \$965,000 in Infrastructure Improvement funds. He stated that New Castle County and the County Executive support the Project, and act as the Public Sponsor. The Pilot School is requesting these funds for infrastructure improvements at its proposed new Woodlawn facility. The proposed new school will allow twenty-five additional students and create additional full time teaching jobs in the future. The entire project will provide approximately 326 construction jobs. Enhancement proposed will provide significant public benefit to residents, employers, environment and future national park center. Infrastructure funds will assist in road expansion to address increased traffic, a new storm water management system, enhanced transportation access for residents and local businesses, new sidewalks connected to Brandywine Creek State Parks trails, and improved sewer service to the private properties.

Mr. Heisler explained that he is a volunteer with the project and will not collect a profit. He stated that most infrastructure improvements are in the public right of way not on the school site. He added that the costs have been allocated on a percentage basis with most funds dedicated to public purpose. He stated that the land surrounding the project is

proposed Woodlawn National Monument, so improvements to the road would have a direct benefit to the park and the people who use it.

Ms. Craven, Director of The Pilot School explained the school's history: began in 1957 with five boys who were not thriving. She stated that the school continues to accept students from the educational sector on a first come-first served basis to figure out how they learn best. The mission is to return the students back into traditional education. A recent ten year study showed that 98% of students remained in the school in which they were placed and completed the highest grade offered. A decision was made to build a new facility as the current facility is impractical financially and space-wise. Pilot is a small private school that receives no funding except for tuition and fundraising. Years of fundraising would be needed to pay for the significant improvements required on Woodlawn Road.

Mr. Hays, with Forsythe Associates, showed poster boards explaining the context of the site. The school fronts to Woodlawn Road, a connector road between Route 202 and Thompsons Bridge Road, the entrance to "Beaver Valley" and popular Brandywine Creek State Park. It is a well-traveled but very narrow and dangerous road with a sharp turn and steep grade. The proposed plan is to widen the existing road to DelDOT's standards, add sidewalks and create a round-about that will slow cars down before approaching the steep section of road. The round-about will be entirely on Pilot School's property, but will be part of the road enhancements. Infrastructure improvements will bring road up to DelDOT's standards and introduce utilities in the future. Homes in the area that currently have well water will have an opportunity to tap into an upgraded public water service. Sewer system will be replaced and expanded, additional fire hydrants will be added, electric and gas service will be improved and a drainage system will be introduced to correct flooding on the road. A planned storm water run-off treatment system which is not a part of this request, but a portion of the basins is - a portion of the volume that benefits the work within the public right of way is in this request.

Chairman Levin asked for a breakdown of the costs. The Applicants provided a handout and explained the following breakdown: water, sewer, storm drains and portion of storm water investment work is \$350,000. Energy and utility line upgrades is \$90,000. Road widening to DelDOT standards and safety improvements is \$450,000. Sidewalks, Dart Route 2 transit stop, is \$25,000. Land stabilization and related infrastructure is \$50,000. Total is \$965,000.

Senator Venables asked for a rundown of improvements. Mr. Heisler repeated that the widening of Woodlawn Road will lessen the very dangerous curve; creating the round-about will slow cars approaching the steep grade; adding storm drainage that does not currently exist will eliminate erosion and lessen flooding near the bridge; constructing storm water management elements, adding sidewalks, crosswalks and constructing a bus shelter, ensuring trail access system to park land, replacing and extending sanitary sewer, adding public water and improving electric and natural gas service in the area.

Mr. Ratchford asked if construction has begun on the school? Ms. Craven stated that they are raising money but have not broken ground yet.

Mr. Ratchford asked if DelDOT is requiring all the road improvements and utility upgrades? Mr. Heisler stated that was correct and that DelDOT is requiring the road to be improved and all other utility infrastructure is included. Chairman Levin stated that he was troubled because if work is required and would be done anyway, the Committee cannot fund the project due to the Committee guidelines.

Ms. Collins, DAG, asked if the school can be built without making enhancements. Mr. Heisler explained that the round-about was not required by DelDOT; it was an enhancement to the public that they included. The developer made extra efforts to increase public benefit.

Ms. Collins, DAG, asked for DelDOT's dollar amount required and the developer's cost of enhancements. Mr. Heisler stated that he did not know the exact breakdown of the dollar amounts.

Mr. Hayes stated that the round-about costs were about 65% of the project. Chairman Levin asked for clarification of the 65%.

Senator Venables stated that he felt the developer's donation of land towards the round-about should be considered as a positive step.

Ms. Collins, DAG, stated that the Committee would need a breakdown of costs including DelDOT's mandatory improvements and developer enhancements; then come back with a best practices strategy.

Mr. Heisler asked if the application could be tabled and so the Applicant could return with the information requested.

ACTION: Tabled for next meeting.

Delaware Technical & Community College Georgetown. ("Delaware Technical & Community College Georgetown" or the "Applicant") (Airframe & Power Plant Infrastructure Needs Project); Public sponsor is the Delaware River Bay Authority: The Applicant is requesting up to \$558,800 in funds which will be used for infrastructure needs for the Airframe & Power Plant Infrastructure Needs Project (the "Project").

Chairman Levin explained that Delaware has a need for graduates with Airframe Maintenance and Power Plant training. He added that DelTech Georgetown has an outstanding Airframe Maintenance program but there is no Power Plant training in Delaware and DelTech does not have the funds for it. He stated that Delaware has built a history with Dassault, Falcon, Hawker Beechcraft, Summit Aviation, and PATS all

demonstrating a need of anywhere from thirty to forty employees at any time and that the DRBA is in need of 100-150 certified employees right now. DelTech was encouraged to apply for funding today to get the process started. The Power Plant will not be on campus, it will be located on the Georgetown field.

Mrs. Craven explained that the college has been working on this project since 2009 beginning with the Airframe Maintenance Program which is working on the body of the airplane. The Power Plant will allow students to learn maintenance of the airplane engine. The current program allows twenty-four graduates every twenty-four months. The labor market in Delaware shows a higher demand. The program needs to expand to forty-eight graduates every eighteen months to meet this demand. The funding request is for \$558,800 in funds for manpower and equipment to begin the Power Plant program. The program is regulated by the FAA and graduates will be certified. FAA regulations are strict and specific ratios must be proportional: enrollment – equipment – tools – instructors. The funding will allow additional enrollment capacity, tools, equipment and highly trained instructors. Market studies show a future need for these high-paying positions. These positions are also necessary to retain our DE air companies in the future.

Senator Venables stated that the program is needed not only for Sussex but for the entire State. Ms. Craven stated that the program could not be replicated for less than \$5 million. Students throughout the State can train at the Georgetown facility and there are employment opportunities statewide. Chairman Levin stated that a satellite program was explored, but it would be a 3 year process just to get it started. DRBA-NCC does not have space with Frontier Airlines now in operation.

It was stated that there is a significant need in Millville to maintain work already there. The need for these expert graduates is imminent.

Mr. Ratchford asked for clarity on how funds will be used - staff and equipment? Mrs. Craven explained that the funds would be used towards both. She added that half of the request would go towards the equipment to increase from twenty-four to forty-eight students. The other half of the request covers staffing, including instructors.

Mr. Ratchford stated that he wasn't sure if buying equipment fits under the Committee's discretion of infrastructure funding, although there is no doubt that it will help to add future jobs.

Chairman Levin asked Ms. Collins, DAG, if this request could possibly fit the Committee guidelines. Ms. Collins, DAG, stated that she would be hesitant to fund staff salaries, but that the equipment under the Power Plant could be included in the Committee guidelines.

Helene Keeley expressed concern with the Project meeting Committee guidelines; doesn't see where it fits. She stated that she feels if the Committee approves, it is circumventing a program that should go in front of the JFC & Bond Bill Committee.

Senator Venables stated that he feels the Committee should fund where the need is.

Ms. Collins, DAG, read the rules from the Committee guidelines and stated that she felt that the equipment falls under expenses and therefore the Committee has the authority as the Project fits under the Committee's rubric. However, she stated that she is still not comfortable with funding staff. The Project benefits the future economic health and competitiveness of Delaware.

Senator Venables asked if DelTech would be able to cover the staffing costs?

Mrs. Craven stated that she did not know if they could attract quality technicians with their current available resources. She also added that she doesn't know the impact on Delaware's economic future if these positions cannot be filled. She stated that they are ready and able to move forward but cannot without the right people.

An Applicant Representative stated that from his prior experience with DelDOT, he feels this is a one- time investment that is no different than some of their projects. There are a lot of personnel costs involved.

Chairman Levin stated that it is similar to funding a two year program.

Representative Keeley and Mr. Ratchford both expressed concern that the Project should be presented at Legislative Hall and that approving it under this Committee would be circumventing the process.

Chairman Levin reiterated that he suggested the application just to get the process started.

Representative Johnson stated that as a member of Bond Committee he also had concerns regarding the process. He mentioned that there are two other institutions with requests to the Committee; approving this one may open the door to their requests and many more.

Chairman Levin stated that the immediate need for this Project is here now; it serves a critical need because the jobs are here and can be filled now.

Senator Venables mentioned an approved application for Wesley College's street-scene grant. This project will create jobs in all counties as the need is in all counties. Representative Keeley stated that she doesn't deny the need, but she just doesn't think it is within the guidelines of this Committee.

Chairman Levin suggested that the Committee table the application until the next meeting and the Committee agreed.

ACTION: Tabled for next meeting.

The Diamond State Port Corporation. (“The Diamond State Port Corporation” or the “Applicant”) (Container Crane Project); Public sponsor is the State of Delaware: The Applicant is requesting up to \$10,000,000 in funds which will be used for infrastructure needs for the Container Crane Project (the “Project”).

Ms. Collins, DAG, stated that she was aware of a conflict of interest as some Infrastructure Committee members are also board members of the Diamond State Port Corporation. She explained that they are allowed to vote but must state on record their affiliation with both boards and terms of membership, and that they can impartially consider the request of the Applicant. Senator Venables, Representative Keeley and Director Levin all complied; Ms. Collins, DAG, approved that guidelines were met.

Chairman Levin explained the background of the Project. He stated that during Bond Bill discussions last year, it was decided that a master lease would be considered for an outside organization to take over operations. He stated that no sum of money went to the Port. It was understood that \$10 Million of Infrastructure Improvement funds would be granted to the Port if the venture to find an outside operation was unsuccessful. He explained that as the venture was unsuccessful, today’s meeting would finalize previous discussions. He asked Mr. Bailey and Mr. Horn to give an overview of the Port and the infrastructure needs.

Mr. Bailey explained that he considers the Port to be a part of the marine highway with continued ship traffic, constant incoming and outgoing cargo and important to the trade network. The Board recently approved substantial funding for improving the facility and infrastructure. The Port started in 1923 and celebrated its 90th anniversary last week. He stated that it is old and serious upgrades are needed to maintain the customer base. He added that flooding is a major issue with 25-30% of the Port underwater at anytime. He also added that the warehouses are aging; some were once dry facilities converted into refrigerated units and now need upgrading.

Chairman Levin asked what additional infrastructure improvements were needed aside from the drainage issue.

Mr. Horne explained that the largest improvement needed is repairs and upgrades of berths Five and Six which is a 1200 foot area of original dock construction that is ninety years old. Repairs are estimated at \$11,000,000+, for the total project, and \$65,000,000+ to replace entirely. The other area of improvement is for the tidal flooding at the eastern end of the Port affecting Dole and Chaquita storage sites. Flooding from major storms like Sandy can cause sixty percent of the port to be underwater.

It was stated that there are two Projects. The first Project addresses the tidal flooding at the eastern end of the Port and which is broken into two phases. Phase one has been completed. Phase two has been designed and is currently going through DNREC for review. When complete, the tidal flooding will be eliminated. The new Project, not yet designed, but will address storm issues.

Fire protection in the warehouses is another serious issue as water is drawn from the river which has contaminants that can corrode customers' products. Also needed are crane upgrades that will be more efficient for customers.

Mr. Dinsmore, representing Senator Coons' office, stated that Senator Coons supports the application of a \$13 Million federal Tiger Grant which will assist with repairs to the Port. He anticipated support for this grant from Congressman Carney and Senator Carper also.

Motion Made By: Chairman Levin
Motion Seconded By: Mr. Ratchford
Motion Passes 4 to 0 All in Favor

Motion: To transfer \$10,000,000 in funds to the Diamond State Port Corporation which will be used for infrastructure needs for the Container Crane Project.

Ms. Collins, DAG, asked for clarity. Specifically, she asked if this was a transfer of funds or a grant with agreement. Chairman Levin felt a grant agreement was not needed. He stated he believed a transfer of funds is the cleanest and easier way to go.

Representative Keeley asked if receipts should be required as back-up documentation and recorded use of the funds. Chairman Levin stated that he agreed that receipts can be accepted.

Senator Venables asked if a crane will be purchased with the funds. Chairman Levin stated that with the Infrastructure funds received here today, plus the \$21,000,000 it already has, the Port is likely to purchase a new crane. Mr. Dinsmore explained that a crane cannot be purchased with federal money (Tiger Grant) as cranes are not made in the USA. This is the fourth time applying for the Tiger Grant and they are hoping to receive it this time.

ADJOURNMENT:

The meeting was adjourned at 1:35 P.M.

Sincerely,

Cindy Rule/Lee K. Porter

Cc: Members of the Infrastructure Committee
Lawrence Lewis, DAG